

## Message Text

CONFIDENTIAL

PAGE 01 VALLET 02341 292156Z

61

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 COME-00 TRSE-00 IGA-02 AID-20

EB-11 SCEM-02 INT-08 NEA-10 DRC-01 OMB-01 /201 W

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R 290820Z NOV 73

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5008

INFO AMEMBASSY LONDON

USMISSION NATO

AMEMBASSY ROME

AMEMBASSY TRIPOLI

C O N F I D E N T I A L VALLETTA 2341

.O. 11652: GDS

TAGS: ENRG, MT, LY , IT

SUBJ: ESSO FUTURE AND OIL SUPPLY PROBLEM

REF: A. VALLETTA 2276 B. VALLETTA 2267

1. LOCAL ESSO MANAGER HUGH NAUDI CALLED ON AMBASSADOR NOV M WU TO INFORM HIM OF RECENT CONVERSATIONS WITH GOM OFFICIALS. NAUDI WS REQUESTED TO VISIT MINISTER FOR DEVELOPMENT HYZLER TO DISCUSS OIL SUPPLY QUESTION. ESSO MANAGER REMINDED HYZLER HE HAD GIVEN LETTER TO DIRECTOR OF TRADE POINTING OUT ESSO UNABLE IMPORT ADDITIONAL PETROLEUM SUPPLIES WITHOUT PRICE RELIEF. HYZLER REPLIED PRICE QUESTION WAS NOT HIS RESPONSIBILITY AND THAT HIS ONLY CONCERN WAS OIL SUPPLIES. NAUDI EXPLAINED TWO CANNOT BE SEPARATED IN ESSO'S CASE, AT

WHICH POINT HYZLER SUGGESTED NAUDI SEE PM'S ADMINISTRATIVE SECRETARY ALBERT AGUIS FERRANTE, WHO HEADS NEWLY FORMED  
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PAGE 02 VALLET 02341 292156Z

ENERGY COMMITTEE.

2. DURING SUBSEQUENT MEETING WITH AGIUS FERRANTE NAUDI WAS GIVEN PIECE OF PAPER WITH FOLLOWING QUESTIONS:

A. IS ESSO MALTA IN A POSITION TO ENSURE SUPPLIES TO CONTINUE TO MEET ESSO'S CURRENT SHARE OF THE MARKET WHICH INCLUDES BUNKERS AND AVIATION; IF IN THE NEGATIVE WHAT PERCENTAGE CUTS PER PRODUCT IS ENVISAGED?

B. IF THROUGH THE INTERVENTION OF THE MALTA GOVERNMENT CRUDE OIL COULD BE MADE AVAILABLE TO ESSO IN WHATEVER QUANTITIES:

(1) WOULD ESSO BE PREPARED TO BUY THIS CRUDE, TRANSPORT IT TO, AND REFINES IT AT ITS OWN REFINERIES AND TRANSPORT REFINED PRODUCT TO ESSO MALTA?

(2) IF THE MALTA GOVERNMENT HAD TO PURCHASE THE CRUDE OIL, WOULD ESSO REFINES THIS CRUDE IN ITS OWN REFINERIES AND TRANSPORT FINISHED PRODUCT TO ESSO MALTA?

(3) IF THE MALTA GOVERNMENT OR SOME OTHER GOVERNMENT HAD TO PURCHASE THE CRUDE OIL AND HAVE IT REFINED IN A REFINERY, WOULD ESSO BE PREPARED TO TRANSPORT THE FINISHED PRODUCT TO ESSO MALTA?

3. NAUDI CONFESSED TO CONSTERNATION AT GOM'S REFUSAL ADDRESS ITSELF TO ESSO'S PROBLEM OF MOUNTING LOSSES AND THE GENERAL PRICE QUESTION. HE INDICATED, NEVERTHELESS, HIS COMPANY COULD POSSIBLY ACCEDE TO GOM'S REQUEST TO BUY CRUDE WHICH WOULD BE EXCHANGED FOR REFINED PRODUCTS DEPENDING ON (A) THE SOURCE OF THE CRUDE, AND (B) THE PRICE AT WHICH IT IS MADE AVAILABLE. HE POINTED OUT TO AGIUS FERRANTE THAT ESSO WOULD NOT BE PREPARED TO PROCESS OR BUY ITS OWN CRUDE WHICH HAD BEEN NATIONALIZED BY THE LIBYAN GOVERNMENT OF THE CRUDE OF OTHER PRIVATE COMPANIES SUCH AS BP.

4. SUBSEQUENT TONAUDI'S CALL ON THE AMBASSADOR, MINISTER HYER MADE A STATEMENT ON MALTA TV THE SAME EVENING CALLING FOR CONFIDENTIAL

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PAGE 03 VALLET 02341 292156Z

VOLUNTARY RESTRAINT IN THE USE OF POWER. IN THIS FIRST PUBLIC REFERENCE TO THE GROWING INTERNATIONAL OIL CRISIS AND ITS IMPLICATIONS FOR MALTA, HYZLER NOTED THAT FUEL AND OIL MUST BE IMPORTED TO OPERATE THE ELECTRIC POWER STATION, THE WATER DISTILLATION PLANT AND THE PLANT FOR PRODUCING TOWN GAS, WHICH IS USED FOR HOME COOKING AND OTHER PURPOSES. HE ALSO MENTIONED THE IMPORTATION OF DIESEL FOR FACTORIES AND VEHICLES. HYZLER SAID, HOWEVER, THAT "THE SUPPLY SITUATION HERE IS NOT

PRECARIOUS SINCE THE GOVERNMENT HAS THE ASSURANCE THAT THE SUPPLY OF FUEL WOULD NOT BE LACKING." HE ADEED THAT GOM IS "THROUGHLY CONSIDERING THE OIL SUPPLY SITUATION, AND...THE PUBLIC HAS NOT REASON TO ALARM ITSELF. HOWEVER, THE GOVERNMENT EXPECTS THE PUBLIC'S COOPERATION IN ECONOMISING ON POWER SO THAT IT WILL LAST LONGER.

5. COMMENT. HYZLER ALSO MADE A CASE FOR INCREASING THE PRICE OF TOWN GAS BY SAYING THAT OIL AND GAS PRICES HAVE RISEN IN SOME CASES BY THREE TIMES THOSE OF LAST YEAR. DESPITE HYZLER'S REMARKS WE, AS NAUDI, REMAIN PERPLEXED, HOWEVER, BY GOM'S APPARENT REFUSAL ADDRESS ITSELF TO REAL POSSIBILITY LOCAL GASOLINE PUMPS WILL BE DRY BY THE END OF NEXT MONTH UNLESS RAPID PRICE ADJUSTMENT IS MADE. IN MEANTIME, RUMORS CONTINUE TO CIRCULATE REGARDING THE RAIIONING OF GASOLINE AND DIESEL FUEL BY ESSO'S ONLY COMPETITOR SHELL. NAUDI BELIEVES LACK OF PRESSURE BY SHELL ON PRICE QUESTION MAY BE REALATED TO TAKEOVER OF SHELL ITALIANA BY AGIP. GOM ALREADY HAS CONTRACT WITH AGIP UNDER WHICH ITALY SUPPLIES OIL TO ELECTRIC POWER STATION.GETZ

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## Message Attributes

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